

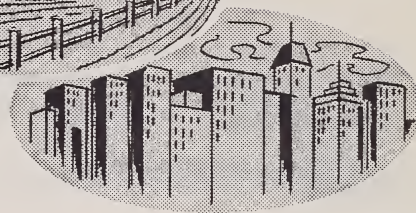
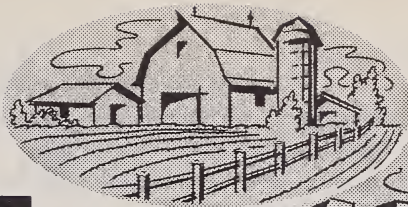
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DEMAND AND PRICE SITUATION



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SEPTEMBER 1962

COMMODITY HIGHLIGHTS

U. S. DEPT. OF AGRICULTURE
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CURRENT SERIAL RECORDS

GENERAL AGRICULTURAL SITUATION

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ECONOMIC RESEARCH
SERVICE

U. S. DEPARTMENT OF
AGRICULTURE

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

CURRENT COMMODITY SITUATION

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1961		1962			
		Year	Aug.	May	June	July	Aug.
Industrial production, seasonally adj. <u>1/</u>	1957=100	109	113	118	118	119	119
Final products	do.	112	115	120	121	122	122
Consumer goods	do.	116	120	124	124	125	124
Autos	do.	97	110	126	115	127	125
Equipment, including defense	do.	104	105	113	115	116	117
Materials	do.	106	111	115	116	116	116
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	57,399	57,983	60,748	62,278	62,235	62,239
Public construction	Mil. dol.	17,034	16,702	17,276	17,836	17,460	17,802
Private residential	Mil. dol.	22,499	23,306	25,018	26,118	25,823	25,269
Housing starts	Thousands	1,304	1,326	1,579	1,425	1,448	1,521
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	30,730	31,380	33,500	32,960	33,490	---
Durable goods	Mil. dol.	14,540	15,040	16,400	15,890	16,330	---
Unfilled orders-sales ratio <u>4/</u>		3.10	2.93	2.72	2.79	2.74	---
Inventory-sales ratio, total <u>5/</u>		1.80	1.72	1.70	1.73	1.70	---
Durable goods		2.16	2.05	1.99	2.05	2.00	---
Employment and wages: <u>6/</u>							
Total civilian employment	Millions	66.8	68.5	68.2	69.5	69.6	69.8
Nonagricultural	do.	61.3	62.2	62.8	63.2	6.35	64.0
Unemployment	do.	4.8	4.5	3.7	4.5	4.0	3.9
Workweek in manufacturing	Hours	39.8	40.2	40.5	40.7	40.4	40.4
Hourly earnings in manufacturing	Dollars	2.32	2.31	2.39	2.39	2.39	2.37
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	416.4	418.3	439.7	440.7	441.9	442.8
Consumer credit outstanding <u>1/</u>	Mil. dol.	57,139	54,739	57,593	58,277	58,521	---
Automobile	Mil. dol.	16,960	17,061	17,683	18,033	18,291	---
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,234	18,172	19,432	19,089	19,682	19,589
Durable goods	Mil. dol.	5,608	5,463	6,169	6,029	6,398	6,193
Inventory-sales ratio <u>5/</u>		1.47	1.43	1.38	1.42	1.40	---
Prices: <u>6/</u>							
Wholesale prices, all commodities	1957-59=100	100	100	100	100	100	100
Commodities other than farm and food	do.	101	101	101	101	101	101
Farm products	do.	96	97	96	95	96	98
Foods processed	do.	101	100	100	100	101	102
Consumer price index, all items	do.	104	104	105	105	106	---
Food	do.	103	103	103	104	104	---
Prices received by farmers <u>7/</u>	1910-14=100	240	240	242	239	240	244
Crops	do.	226	228	243	236	231	229
Livestock and products	do.	251	250	242	242	248	256
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	301	301	306	305	305	305
Family living items	do.	291	290	296	294	294	294
Production items	do.	266	265	269	268	268	268
Parity ratio <u>7/</u>		80	80	79	78	79	80
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	136	142	110	114	126	138
Cash receipts from farm marketings	Mil. dol.	35,243	3,025	2,342	2,407	2,717	3,000

Annual data for most of the items for years 1929, 1939, 1941 and 1947-60 appear on Page 41 of the April issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture.

The Farm Situation

The Index of Prices Received by Farmers moved up about 2 percent from July to August to 244 percent of its 1910-14 average. This was about the same as last year's July-August increase. The Index of Prices Paid by Farmers was unchanged in August from the June and July levels, and the Parity Ratio rose 1 point to 80 in mid-August to the same level as a year earlier.

Crop prices were generally down from July to August and averaged only 1 point above year-earlier levels. Fruit prices rose substantially to about year-earlier levels. Livestock and product prices, except for wool, were generally up from July to August. Central market prices of major livestock classes continued to rise through mid-September.

January-August crop prices averaged 3 percent above a year earlier. With the volume of marketings down, cash receipts from crops were about 1 percent greater. Cash receipts from marketing livestock were little changed. Livestock prices and volume of marketings continue at about year-earlier levels.

Crop production expectations, based on the September 1 Crop Production report, indicate that 1962 may total 2 percent less than 1961. Indicated food grain production is down 8 percent from 1961, which, in turn, was down 9 percent from 1960. The wheat crop this year is estimated at 11 percent below 1961. The reduction is largely a result of the 1962 voluntary Wheat Program. Production in four major crop categories, feed grains, hay and forage, vegetables, and oil crops, is expected to average 2 to 5 percent less than a year earlier. Production of cotton, tobacco, and sugar crops is expected to average 3 to 5 percent more than a year earlier.

Production of livestock products is expected to total about the same as in 1961. An increase in production of dairy products may about offset a decline in output of poultry and eggs. Total meat production is expected to be unchanged. Domestic utilization of food and other farm products continues to rise with population growth, and export levels continue to increase, contributing to a substantial increase in utilization relative to domestic supplies.

COMMODITY HIGHLIGHTS

Cattle slaughter continued above year-earlier levels in August and early September, but average dressed weight was lower and beef production was below output in the comparable period last year. Marketing of cattle from feedlots accelerated during the third quarter. The outlook for cattle prices during the fall quarter is strong. Slaughter supplies of barrows and gilts for the remainder of this fall, although increasing seasonally, likely will continue below last fall, and prices are expected to average higher throughout the remainder of the year. The lamb crop this year was 4 percent below 1961, with most of the reduction in the late crop. Federally inspected lamb slaughter this year is not expected to reach last year's level. Lamb prices throughout the remainder of 1962 likely will average substantially above last year's prices.

Milk production in January-August was nearly 1 percent greater than a year earlier. August production was about the same in 1962 as in 1961. Prices farmers received for wholesale milk in August rose seasonally 17 cents per hundredweight, to \$4.03, from July. The increase was larger than a year earlier, but smaller than the 1957-59 average. Stocks of dairy products rose 1.2 billion pounds of milk equivalent during July to 15.6 billion at the end of the month, over 40 percent more than a year earlier. Most of the gain was in government stocks.

Egg prices to producers in mid-August averaged 32.5 cents per dozen compared with 29.5 cents in July and 35.1 cents a year earlier. September-December egg production is expected to be about the same as a year earlier. Egg prices for the remainder of 1962 are expected to hold close to year-earlier levels.

Broiler prices since May have exceeded year-earlier levels. August prices averaged 15.3 cents per pound compared with 14.8 cents in July and 12.7 cents in August 1961. Hatchery activity has increased since July. Broiler marketings are expected to increase late this year and early next year. The turkey crop in 1962 is estimated at 92 million birds, 15 percent less than in 1961. Turkey prices remained around 20 to 21 cents per pound from February to August, and, between mid-August and mid-September, price quotations in major markets increased 1 or 2 cents per pound.

U. S. mill consumption of apparel wool during January-July was 16 percent greater than a year earlier. Carpet wool mill use during the 7-month period was 5 percent greater than a year earlier. Imports of raw wool for mill use during the period were 1.5 percent less than in January-July 1961. Dutiable wool imports were up 37 percent but duty-free wool imports were down 23 percent in January-July.

The 1962-63 supply of wheat is the lowest in recent years. The July 1 carryover was 7 percent less than a year earlier. Crop production for the current year is estimated at 11 percent less than in 1961-62. Prices for most kinds of wheat are likely to average above the effective price support level for 1962-63.

The Wheat Program announced for the 1963 crop re-established the 1961 program based on a 55-million-acre allotment, an acreage considerably in excess of 1962 actual acreage. However, the bill recently passed by Congress provides a voluntary diversion program. Producers complying with individual allotments reflecting the 55-million-acre national allotment would be eligible for price support at \$1.82 per bushel, national average. Producers participating in the diversion program would receive price support at \$2.00 per bushel, of which 18 cents would be payment-in-kind. For 1964 and subsequent years, the 55-million-acre minimum national allotment would be eliminated, and prices would be supported through a market certificate plan. Certificates would be issued for wheat consumed domestically for food and for part of the exports. Certificated wheat would be supported at 65 to 90 percent of parity.

The total supply of feed grains for 1962-63 is expected to be 6 percent less than in the previous year. Production is expected to be slightly less than a year earlier, and a smaller carryover is in prospect. Prices for feed grains declined an average of 3 percent from July to August; prices of oats and barley dropped more than seasonally and were below 1962 support levels. Prices through this fall and winter are expected to average near year-earlier levels.

A farm bill passed by Congress would provide a 1963 Feed Grain Program similar to that of 1962, except that price support would be extended partly by payments-in-kind at 18 cents per bushel on corn and at comparable rates for barley and grain sorghums. Beginning with the 1964 crop, corn price support would be between 50 and 90 percent of parity, a level which would not be expected to add to CCC corn stocks. Price supports for other feed grains would be related to corn.

The total supply of edible fats, oils and oilseeds for 1962-63 is expected to be 3 percent more than in the previous year. Prospects are for a smaller oil output, and the increase in supply is due principally to larger October 1 carryover stocks of soybeans and butter. Soybean prices during the heavy harvesting season this fall probably will average around the support rate of \$2.25 per bushel. Substantial amounts of soybeans are expected to be placed under price support.

Prices for most fresh market deciduous fruits in mid-September were below year-earlier levels. Total production of deciduous fruits is expected to be 2 percent below 1961, but 4 percent above average. Total production of filberts, pecans, walnuts, and almonds is expected to be about two-thirds of the record 1961 tonnage.

Production estimates for fresh market vegetables indicate that supplies will be moderately smaller this fall than last. Prices to growers during early fall likely will average moderately above those of a year earlier. Prices in mid-August averaged about the same as in mid-August 1961.

Supplies of potatoes for fall and winter marketings will be heavy again this season, and in excess of normal trade needs. Indicated production of the fall potato crop is 6 percent less than 1961, but 22 percent larger than the 1951-60 average. Production of sweetpotatoes is expected to be moderately larger than in 1961, and prices to growers may average somewhat below last season.

The 1962 cotton crop is expected to be nearly 3 percent greater than last year, due principally to increased yields per acre. The 1962 average yield is estimated at 449 pounds per harvested acre, up from the 1961 yield of 438 pounds but below the record of 466 pounds in 1958. Spot market prices for Middling 1-inch cotton averaged 2.71 cents per pound more for the 1961-62 crop year than in the 1960-61 year. Prices have declined steadily in recent months, however. The average spot market price for Middling 1-inch in August was 33.36 cents per pound, down from 33.98 in July and 34.09 in June.

Flue-cured tobacco production is estimated to be 6 percent more than the 1961 crop. Burley production is estimated at nearly 4 percent more. The auction market price for all flue-cured tobacco sold through September 21 averaged 59.5 cents per pound, 7 percent less than a year earlier. Contributing to the reduced price were the lower quality of marketings, compared with last year, and the larger proportion of untied tobacco marketed this season.

GENERAL AGRICULTURAL SITUATION

Prices received by farmers were more than 1 percent above 1961 levels in January-August. Livestock prices were about the same in both periods, but crop prices were nearly 3 percent greater in 1962 than in 1961. Prices paid by farmers were more than 1 percent higher than a year earlier. The Parity Ratio averaged 79 in January-August 1962, the same as for the first 8 months of 1961. Cash receipts in January-August were \$20.4 billion, up nearly 1 percent from a year earlier. Current indications point to nearly 2 percent less crop production in 1962, but livestock production will be about the same.

August Prices Received
Up 2 Percent

The Index of Prices Received by Farmers moved up 4 points from mid-July to mid-August to 244 percent of its 1910-14 average. This was also 4 points above year-earlier levels. The August Index of Prices Paid by Farmers remained at its June and July level of 305 and was 1 percent higher than in August 1961. The Parity Ratio moved up 1 point from July to August and was at its year-earlier level of 80.

Crop prices generally went down from July to August but averaged 1 point above year-earlier levels. Cotton prices continued about the same as in July, and fruit prices were rising about to levels of a year earlier. Relatively large price declines from July to August were noted for potatoes, sweet-potatoes, and rice. Other crops contributing to the price decline included barley, oats, rye, and flaxseed.

Livestock prices generally went up from July to August, although wool sheep, and lamb prices decreased slightly. The mid-August livestock and products index, at 256 percent of its 1910-14 average, was up 8 points from July and 6 points from August 1961. The poultry and egg index advanced more than seasonally as average egg prices increased 3 cents per dozen from July to August. Central market prices of major livestock classes continued to rise through mid-September.

Cash Receipts Up Slightly

Receipts from farm marketings through August this year totaled an estimated \$20.4 billion, nearly 1 percent more than in January-August 1961. Receipts from livestock and products totaled about the same, with both the volume of marketings and average prices little changed. Most of the increase in cash receipts

was from crop sales. So far this year, crop prices are averaging 3 percent above a year earlier. With a smaller volume of crop marketings, cash receipts from crops in January-August totaled more than 1 percent greater than a year earlier. Among the crops, cotton lint receipts showed the greatest increase and wheat receipts the greatest decrease from 1961. Cash receipts through August were also well above a year earlier for cattle and calves, cotton, truck crops, corn, and soybeans. On the other hand, substantial declines were estimated in receipts from marketings of wheat, eggs, turkeys, and dairy products.

Tentative estimates place August 1962 cash receipts from farm marketings at \$3.0 billion, about the same as in August 1961. Somewhat higher cash returns from livestock and products offset a drop in cash receipts from crop marketings during the month. Average prices this August were about 2 percent higher than last August, but marketings were running less.

Crop Production Decreases 2 Percent

Crop production expectations, based on the September 1 Crop Production report, indicate that 1962 crop output will be nearly 2 percent less than in 1961. Cotton, tobacco, and sugar crops are expected to total 3 to 5 percent more than a year earlier. Feed grains, hay and forage, vegetables, and oil crops are expected to be 2 to 5 percent less and food grains 8 percent less than a year earlier. These estimates are shown with comparisons in table 1.

Table 1.--Index of crop production: 1962 preliminary
estimates with comparisons
(1957-59=100)

Item	:	1960	:	1961	:	Preliminary 1962 1/
All crops 2/	:	108	:	106	:	104
Feed grains	:	109	:	99	:	97
Hay and forage	:	103	:	102	:	98
Food grains	:	115	:	106	:	97
Vegetables	:	103	:	109	:	107
Sugar crops	:	102	:	115	:	121
Cotton	:	116	:	116	:	119
Tobacco	:	112	:	119	:	124
Oil Crops	:	105	:	124	:	121

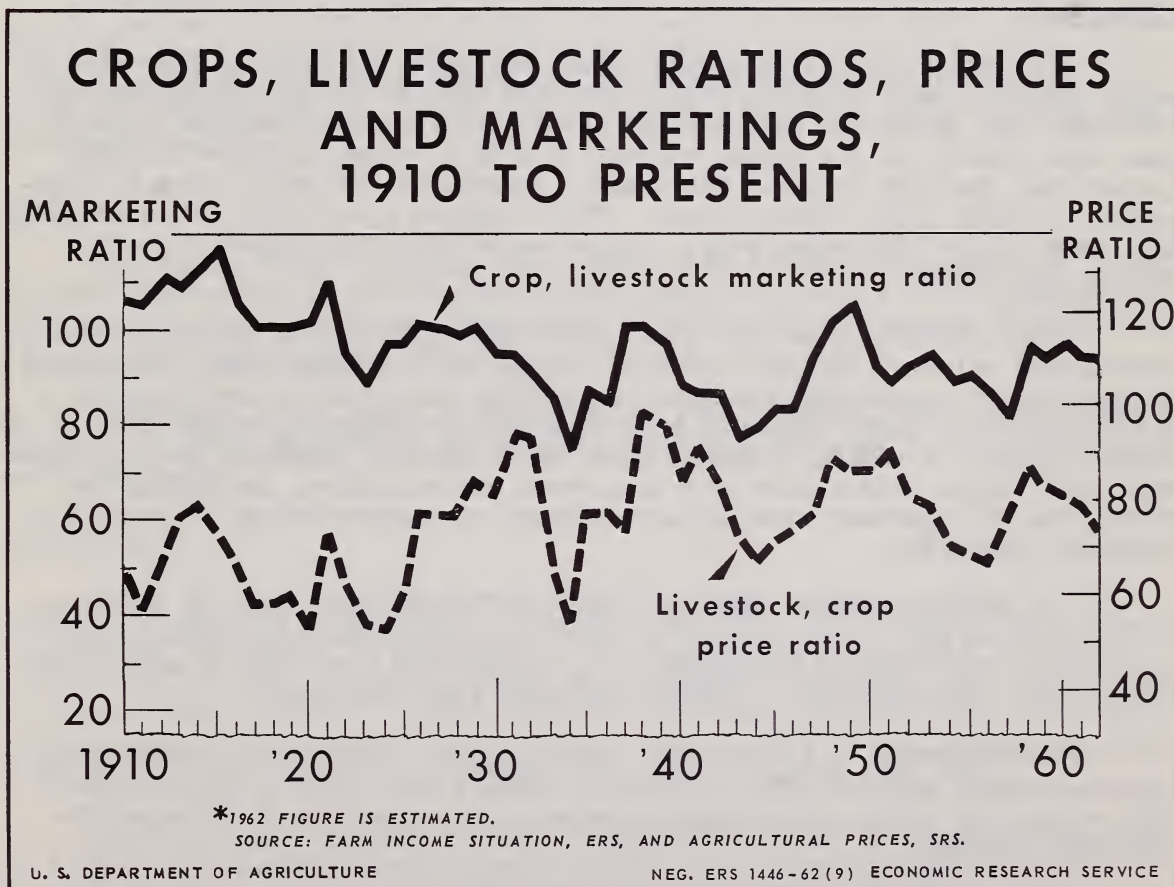
1/ Preliminary indexes for 1962 based on the September Crop Production report and other releases of the Crop Reporting Board, Statistical Reporting Service.

2/ Gross crop production includes fruits and nuts and some miscellaneous crop not in the separate groups shown. It cannot be added to gross livestock production to compute farm output.

Prepared jointly by Economic Research Service and Statistical Reporting Service.

Ratio of Crop to Livestock Marketings
Smaller This Year Than Last

The 1962 volume of livestock and products marketings is expected to be about the same as a year earlier, but the volume of crop marketings is expected to be down 3 percent. Thus, the ratio of crop to livestock marketings is lower this year than last. As one would expect, when crop marketings are light relative to livestock marketings, the ratio of livestock to crop prices is lower this year than last. Crop prices are running about 3 percent higher than in 1961 and livestock prices are about unchanged. The ratio of crop to livestock marketings and the ratio of livestock to crop prices generally have moved together from 1910 to the present (see accompanying figure).



FACTORS AFFECTING DEMAND
FOR FARM PRODUCTS

The general trend of the economy continued mixed in August and September. Investment in plant and equipment continued above the second quarter rate. Investment outlays in the fourth quarter are scheduled around a \$38 billion annual rate, about $7\frac{1}{2}$ percent above a year earlier and a new high. Total retail sales were unchanged from July to August. Relatively stable production reflects the automobile changeover period and continued use of inventories accumulated during the hedge-buying of steel in early spring.

Production

Automobile production during August was about the same as last year as major producers were changing over to the new models, but production in September was well above the year-earlier level. Production schedules indicate that auto output for the fourth quarter of 1962 is expected to be a little larger than the high level of last year. Inventories of unsold cars on September 1 totaled about 660,000 units. This compared with 1,000,000 unsold at the close of the 1961 model year. August sales were the highest for any August since 1955.

Steel production has not been increasing in line with the brisk production and sales of the auto industry because of the large steel inventories accumulated by automobile manufacturers earlier this year in anticipation of a steel strike. Steel companies have been slowly increasing production but the large increase in orders, expected from the automobile industry, has not materialized. Steel output increased 10 percent during August, and during the first week of September steel mills continued to operate around 55 percent of estimated capacity.

The Federal Reserve Index of Industrial Production remained unchanged in August from the 119 registered in July, reflecting the slow improvement in steel production and the maintenance of a relatively high rate of automobile production. From January to August the index rose 4 percent.

Manufacturers' new orders for durable goods declined to a seasonally adjusted annual rate of \$15.7 billion for August from \$16.2 billion in July. This series has shown an alternating pattern of increases and decreases for the past 5 months.

Employment

Employment in August totaled 68.2 million workers, seasonally adjusted, nearly one half million above July. The labor force rose by more than 800 thousand workers after declining during May, June and July. As a result, unemployment increased from 5.3 percent of the labor force to 5.8 percent in August. This rate is substantially less than the 6.8 percent of August 1961,

when the economy was just beginning to expand from a minor recession. The average workweek of production workers in manufacturing, seasonally adjusted, declined from 40.8 hours in April to 40.2 hours in August. The shorter workweek was reflected in a 1 percent decline in the average weekly pay of production workers.

Income

Personal income rose further in August to a \$443 billion annual rate, \$1 billion higher than in July 1962 and \$25 billion above August 1961. Total personal income in January-August was at a seasonally adjusted annual rate of \$437 billion, up 6 percent from a year earlier. Total agricultural income was about unchanged during the 8-month period.

Corporate profits after taxes were at a \$26.1 billion annual rate for the second quarter, up slightly from the first quarter, but not quite matching the \$26.3 billion recorded in the record-high fourth quarter of 1961. These measures of corporate profits do not allow for effects of the liberalized depreciation guidelines issued by the Treasury Department shortly after the close of the second quarter.

Sales

Seasonally adjusted retail sales were about the same in August as in July and were substantially higher than a year earlier. For the first 8 months of 1962 retail sales were at an annual rate of \$232 billion compared with \$216 billion in the like period of 1961.

Department store sales, a component of retail sales, were off a little in August, but there appeared to be some acceleration in sales in late August and early September.

Construction

Total new construction expenditures for August were at a \$62.2 billion seasonally adjusted annual rate, unchanged from July but 7 percent more than in August 1961, according to estimates of the Department of Commerce. Private nonfarm residential construction declined 3 percent from July, but public construction rose 5 percent. Housing starts for August were estimated at a seasonally adjusted annual rate of 1,521,000 units. This is a 5 percent increase from July and 15 percent greater than the rate in August last year.

For the first 8 months of 1962, spending for total new construction was at a \$60 billion annual rate, 7 percent above the comparable period of 1961. Total private construction expenditures were up 8 percent from the first 8 months of 1961; public construction expenditures totaled 4 percent higher.

Capital Spending

Plant and equipment spending by businesses appears to have been unaffected by recent stock market declines. Actual spending for 1962 should total over \$37 billion, 8 percent above 1961 and slightly above the previous high in 1957. The SEC-Commerce survey of business capital spending plans indicates third quarter expenditures for new plant and equipment at a \$37.75 billion rate, 8 percent above a year earlier. Capital outlays planned for the fourth quarter total \$37.95 billion. Further increases in capital outlays are scheduled for the last quarter for manufacturing and commercial industries. Some cutback in outlays is indicated for the railroads and public utilities (see table 2).

Table 2.--Expenditures for new plant and equipment by business, quarterly 1962, seasonally adjusted at annual rates 1/

Industry	:	:	:	1962			
				Jan.-	Apr.-	July-	Oct.-
				Mar.	June	Sept. <u>2/</u>	Dec. <u>2/</u>
	:	1961	1962				
	:	:	2/				
	:	:	:				
	:	Bil.	Bil.	Bil.	Bil.	Bil.	Bil.
	:	dol.	dol.	dol.	dol.	dol.	dol.
Manufacturing industries	:	13.68	14.57	14.20	14.45	14.65	14.95
Mining	:	.98	1.10	1.15	1.05	1.10	1.10
Railroad	:	.67	.83	.70	.95	.95	.70
Transportation (other than rail)	:	1.85	2.06	2.05	2.25	1.90	1.95
Public utilities	:	5.52	5.43	5.15	5.40	5.55	5.50
Commercial and other	:	11.68	13.16	12.45	12.85	13.55	13.70
All business	:	34.37	37.16	35.70	36.95	37.75	37.95

1/ Source: U. S. Dept. of Commerce, Securities and Exchange Commission.

2/ Anticipated expenditures, August expectations.

Agricultural Exports and Imports

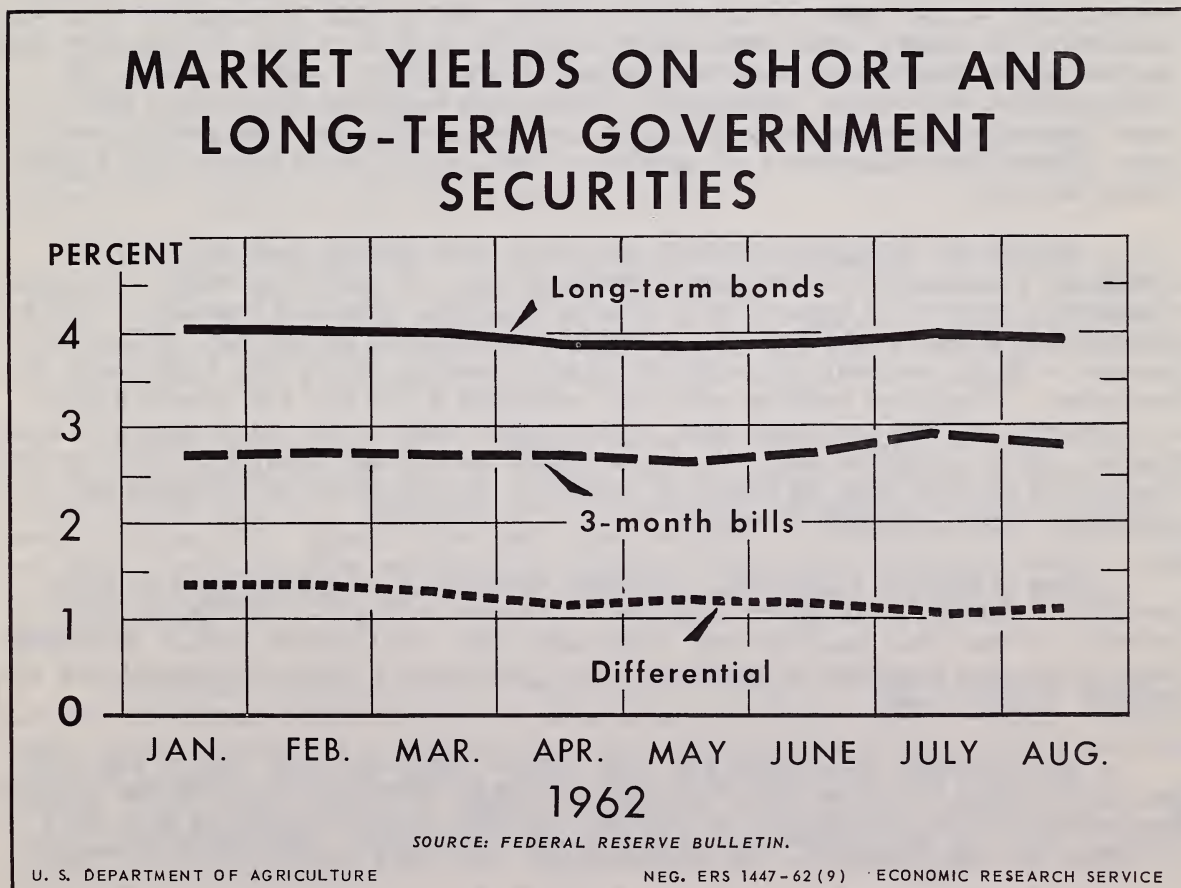
Exports of agricultural products in July and August of the current fiscal year were slightly larger than a year ago. Estimated at \$758 million, they were 2 percent above the same months in 1961-62. Increases were registered for feed grains, vegetable oils, rice, vegetables, and tobacco; exports of wheat and flour, cotton, animal fats, and dairy products declined. Fruits, hides and skins, and meats were unchanged. For several months prior to August, exports were stimulated by stockpiling in anticipation of variable import levies

scheduled to be imposed by the European Economic Community on and after August 1. Part of the decline in August exports can be attributed to increased EEC inventories accumulated in anticipation of the import levies.

Imports of agricultural products for consumption in July 1962 totaled \$300 million compared with \$315 million for the same month in 1961. Imports of both supplementary (partially competitive) products and complementary (non-competitive) products were smaller. Among the complementary items, there were smaller imports of cocoa beans, coffee, and carpet wool.

Interest Rates

The gap between long- and short-term interest rates narrowed somewhat from January to August of this year. The market yield on treasury bills rose from 2.72 percent in January to 2.83 in August, while the yield on long-term government bonds declined from 4.08 percent to 3.97. The long- and short-term rates usually rise and fall together, but this narrowing of the gap is in accord with U. S. policy to reduce the deficit in the U. S. balance of payments without depressing domestic economic activity. The lower long-term rate is an incentive to domestic investment while the higher short-term rate helps to retard the outflow of short-term investment capital (see accompanying figure).



CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

Cattle slaughter continued above year-earlier levels in August and early September, but a sharp decrease in average dressed weight held beef production below output in the comparable period last year. August beef production also was down from the July rate. This decrease in production and a strong summer demand added about \$2 to the price of Choice steers at Chicago during August. This increase in fed steers in turn pulled heifer prices up, although cow prices declined slightly.

Some increased availability of fed beef in the fourth quarter, particularly near the end of the year, along with seasonally larger supplies of pork and turkey are expected to result in a moderate decline in fed cattle prices. According to July 1 intentions of feedlot operators, the carryover from the July 1 inventory of cattle on feed into the October 1 inventory would be up 9 percent from a year ago. Shipments of feeder cattle from terminal markets and the number of feeder cattle and calves received in 8 Corn Belt States were both up from a year earlier in July and August of this year. And the number of cattle placed on feed in California, Arizona and Colorado during July and August exceeded placements by 21 percent compared with the same period last year. Therefore, placements of cattle on feed in the third quarter this year likely were up.

Prices for slaughter barrows and gilts rose during June and July as slaughter dropped off to the summer seasonal low. A normal seasonal upturn in slaughter occurred in August, with prices adjusting downward gradually. Holding action called by the National Farmers Organization at the end of August brought a sharp reversal of seasonal price movements during the first week in September. Slaughter barrows and gilts averaged \$1.09 per 100 pounds higher at 8 markets during the first week of September than in the last week of August. However, when slaughter data became available and it was apparent that the holding action had not made as great an impact on slaughter as on terminal market receipts, price adjusted downward.

Hog slaughter likely will increase seasonally to a fall peak in late November. However, slaughter supplies of barrows and gilts during the remainder of this fall will average below last fall, and prices, while declining seasonally, are expected to continue above last year's price throughout the remainder of this year.

The September quarterly pig crop report indicated this fall's pig crop may be slightly more than the 2 percent increase over last year planned in June. Farrowings during June-August in the 10 Corn Belt States reporting were up 4 percent, and the number of sows intended for farrowing in September-November

also was 4 percent larger than a year ago. Growers in these States reported intentions to farrow 4 percent more sows in December-February than a year earlier indicating the probability of a modest gain in next year's spring pig crop.

Marketing of range lambs was a couple of weeks earlier this year than normal, with the bulk of the lambs already traded by the end of September. Lamb slaughter also moved up sharply in September. Due to the excellent range condition in the Inter-Mountain State region, a larger proportion of lambs from these States were in slaughter flesh this year, and the feeder lambs also were heavier. After the high level of lamb slaughter in September, slaughter likely will drop in October and November with prices holding steady. There does not appear to be much cause for weakness in the lamb market for the rest of the year.

Dairy Products

Milk production in August was estimated at 10,244 million pounds, nearly the same as the 10,270 million pounds produced a year earlier. January-August production was 87.9 billion pounds compared with 87.2 billion pounds in 1961. The August seasonal decline from July production was about 7 percent compared with 9 percent in 1961 and with the 1951-60 average seasonal decrease of 8 percent. Potential exists for September-December production to exceed a year earlier, if pastures improve and grain feeding is at a high rate. During the last 4 months of 1961, production gained 1.2 billion pounds over 1960. Seasonal increases from July to August in the prices farmers receive for milk caused about the usual seasonal improvement in the milk-feed price ratio. Though below 1959-61 levels, the milk-feed price ratio favors heavy grain feeding. Average dairy pasture conditions for the Nation were 73 percent of normal on September 1, slightly below the 1951-60 average.

The use of fluid products in city markets continues to show gains over a year earlier. Whole milk sales in the first half of 1962 were 1.3 percent, and in July, 1 percent above the same period of 1961. Sales of skim milk and low fat items in the first half of the year were 7 percent above a year earlier, while sales of milk and cream mixtures and cream dropped 0.7 percent.

Butter production, which dropped below the year-earlier level in July, was about 4 percent below 1961 in August, but was about the same in mid-September as a year earlier. American cheese production in August continued about 4 percent below 1961, though above any other August. In mid-September, production was only 1 percent above year-earlier levels. Total use of milk in manufactured products in January-July was 38.9 billion pounds compared with 38.0 billion pounds in 1961.

Estimated disappearance of manufactured dairy products improved in July but for the January-July period was down 2 percent from a year earlier. Dairy price support purchases in August were about 0.7 billion pounds, milk equivalent, compared with 0.6 billion pounds last year. Deliveries of nonfat dry milk totaled 112 million pounds in August compared with 99 million pounds a year earlier. It now appears that CCC purchases for price support may be near 11 billion pounds in milk equivalent in 1962 compared with 8.2 billion pounds in 1961.

Prices farmers received for wholesale milk in August rose seasonally 17 cents per 100 pounds, from \$3.86 per hundred pounds in July to \$4.03 in August. This increase is above last year's 15-cent rise but below the 19-cent average increase in 1957-59. The price of all wholesale milk since April has been from 14 to 17 cents below last year, with the prices farmers receive for milk used in manufacturing remaining near price support levels. In September, dealers' average buying prices of milk for fluid use in the New England and Middle Atlantic markets were above a year earlier, reflecting decreased milk supplies because of drought. In other areas of the country, prices of milk for fluid use ranged from 5 cents to 18 cents per hundred pounds below a year earlier.

The dairy component of the Consumer Price Index increased seasonally in July and is expected to continue to increase during the rest of the year. Changes in retail prices of individual products were small.

Stocks of dairy products rose from 14.4 billion pounds of milk equivalent in June to 15.6 billion pounds in July and were more than 40 percent above a year earlier. Most of the gain was in Government stocks. Commercial stocks gained seasonally from June to July. The increase, however, was much smaller than a year earlier and lower than the 1957-59 average seasonal gain.

Poultry and Eggs

Egg prices to producers in mid-August averaged 32.5 cents per dozen compared with 29.5 cents in July and 35.1 cents a year earlier. In early September, price quotations in major markets had advanced from the mid-August level by mostly 2 to 4 cents per dozen for large eggs and slightly less for medium eggs. This price rise carried most quotations to somewhat above the 1961 mark.

In the remainder of the year, egg production may at least equal the 1961 volume. On September 1, layers and pullets not of laying age totaled 384 million, 3 percent less than on the same date last year. The number of actual layers at the beginning of next year is not expected to show as great a decline. On the other hand, an offsetting gain in the rate of lay is expected. Egg production per layer in the fourth quarter has shown an average year-to-year increase of about 3 percent in the last decade, but a smaller gain is expected this year because of a higher proportion of older hens in the laying flock.

Broiler prices since May have exceeded the 1961 level by a wide margin. The higher prices stem partly from about a 5 percent reduction in per capita supplies, a stronger export demand in the first half, a reduction in turkey consumption, larger USDA purchases of young chickens for the National School Lunch Program, and higher prices for red meats. In August, producers received 15.3 cents per pound for broilers compared with 14.8 cents in July and 12.7 cents a year earlier. In mid-September, prices were quoted at mostly 16 cents per pound in major Southern producing areas, up 1.5 cents from mid-August and up 6 cents from a year earlier.

The favorable broiler prices in June-September have made producers willing to increase output. This has been reflected in expanding hatchery

activity since the end of July. In the 3 weeks ending September 15, egg settings for broiler production in 22 important States had climbed above the same weeks a year ago by 13, 14, and 15 percent, respectively. This will enlarge broiler marketings late this year--the period of seasonally heavy turkey consumption. As a result, broiler prices during this period are likely to average substantially below a year earlier.

The greater demand for chicks and a reduced supply of chicks have resulted in rising prices for broiler-type chicks. Some further rise in chick costs is likely if the demand for broiler chicks continues to soar above the 1961 level. These higher chick costs will intensify the cost-price squeeze expected in late 1962 and early 1963.

Turkey prices received by growers remained in the range of 20-21 cents between February and August. Last year during this period, prices trended downward--dropping to 19.6 cents per pound from 23.6 cents. In mid-August, prices to growers averaged 20.2 cents per pound compared with 19.6 cents on the same date in 1961. From mid-August through early September, price quotations for turkeys in major producing areas increased about 1 to 2 cents per pound.

The turkey crop in 1962 is estimated at 92 million birds or 15 percent fewer than in 1961. Most of the reduction, about 12 million birds, is occurring among the heavy breeds, although the percentage decrease is less than for the light breeds. The number of light breed turkeys will be down about 4 million. The shift to the heavy white-feathered turkey is continuing this year.

Despite the prospective cut of 15 percent in the number of turkeys raised, total supplies of ready-to-cook turkey in 1962 are estimated down about 6 percent or about 110 million birds from 1961 because of record large cold storage stocks on hand last January 1. Cold storage holdings of turkey on September 1, at 160 million pounds, were only 29 million pounds lower than a year ago. Turkey production in September-December is expected to be about 8 percent below the 1961 level, resulting in total supplies in the last 4 months about 9 percent smaller than in September-December last year.

Wool

The 1962-63 Australian wool auctions opened August 20, with prices 2 to 5 percent below the July closing of the 1961-62 season. By mid-September, the markets strengthened and prices advanced fractionally. Japan continued to be the dominant factor in these opening sales; other major interest came from Western Europe. The South African sales opened on September 3, and wool prices were down about 5 percent from the May close of the previous season. These auction prices also advanced fractionally in mid-September.

Sales activity in the domestic markets has been limited by the small amount of the current clip still in producers' hands. The average farm price received by growers for wool declined moderately in August to 45.1 cents per pound, grease basis, from 45.7 cents in July and the recent high of 46.4 in June. However, the August price was more than 4 cents above the 41.0 cents received in August 1961.

U. S. mill consumption of apparel wool during the first 7 months of 1962 totaled 169.4 million pounds, scoured basis, 16 percent greater than in the same period of 1961. Use on the worsted system increased 27 percent above a year ago; that on the woolen system, only 2 percent. The seasonally adjusted average weekly rate of mill use in July 1962 was 4.7 million pounds compared with 5.3 million in June and 4.9 million in July 1961. Carpet wool mill use during the first 7 months of 1962 amounted to 82.5 million pounds, scoured basis, 5 percent more than in 1961. The seasonally adjusted average weekly rate of mill use in July was 2.8 million pounds compared with 3.6 million in June and 3.2 million in July 1962.

Imports of raw wool for mill use during the first 7 months of 1962 totaled 148.4 million pounds, clean content, 1.5 percent less than in the same period of 1961. Dutiable wool imports amounted to 74.8 million pounds, and duty-free wool imports totaled 73.6 million pounds, 37 percent more and 23 percent less, respectively, than in January-July 1961.

Production of woolen and worsted woven goods by U. S. mills during the second quarter of 1962 increased to 82.5 million linear yards from 75.5 million in the first quarter. Output of apparel fabrics increased; that of non-apparel decreased. Of the apparel fabrics, production of women's and children's goods increased more than that of men's and boys'. During the first half of 1962, output of woven goods amounted to 158.0 million linear yards, 10 percent more than the 143.4 in the first 6 months of 1961.

Wheat

CROPS

The supply of wheat for 1962-63 is at the lowest level in the last 4 years. This decline was caused by a reduction in both carryover and production. Record exports in 1961-62 were responsible for the cut in beginning carryover stocks, while the 1962 Wheat Program brought a reduction in the crop.

The crop was estimated in September at 1,096 million bushels, 11 percent below that of 1961 but an increase of 33 million bushels over the August estimate. Spring wheat accounted for all of the increase, with durum alone rising by 10 million bushels. The current durum crop of 67 million bushels is the largest since 1928.

The high level of exports experienced in the last 2 years will not be repeated in 1962-63 because of improved wheat crops in many importing countries. However, exports in 1962-63 are expected to be large and may again exceed domestic disappearance. If total disappearance in 1962-63 exceeds production, as is expected, stocks would be further reduced in 1963.

Prices in 1962-63 are starting at a high level and may therefore show little seasonal advance. Because of the tight supply of privately held wheat, the season average price is likely to average above the effective price support level.

Feed Grains

Total 1962 production of feed grains is estimated at 138 million tons, on the basis of September 1 indications, slightly below production in 1961 and 18 million tons below the record output in 1960. With a smaller carryover of feed grains than a year ago in prospect, the total supply for 1962-63 is now estimated at 212 million tons, which would be 6 percent smaller than in 1961-62 and the smallest supply in 4 years.

Both domestic use and exports of feed grains reached new record-high levels in 1961-62, and carryover into 1962-63 is expected to be about 12 million tons below the 85-million-ton carryover into 1961-62. While exports in 1962-63 may decline from the record level of 17 million tons in the past year, total domestic disappearance is expected to at least equal and may exceed the record level reached in 1961-62. In this event, total disappearance would substantially exceed feed grain production, resulting in a further reduction in stocks at the close of the 1962-63 marketing year.

The corn supply for 1962-63 is now expected to total about 5.1 billion bushels, which would be a reduction of nearly 500 million bushels from 1961-62. The smaller supply this year is the result of a substantial reduction in prospective stocks to be carried over on October 1 and a 4 percent reduction in the size of the crop. The 1962 crop now is estimated at 3.5 billion bushels, 139 million less than in 1961. The sorghum grain supply for 1962-63 was estimated in September at 1.2 billion bushels, slightly smaller than in 1961-62, with carryover and production both near last year's levels. The total oat supply for 1962-63 is 2 percent smaller than in 1961-62, while the barley supply is slightly above last year.

The index of prices received for feed grains decreased 3 percent from July to August. Prices of each of the four feed grains declined during the period. Prices of oats and barley dropped more than seasonally, falling a little below the 1962 support levels; the August index was slightly below a year earlier. Feed grain prices this fall and winter may average fairly close to the levels of these periods in 1961-62.

Production of soybean meal is expected to at least equal the record output in 1961-62, and high-protein feed supplies in 1962-63 are expected to be sufficient for maintaining feeding near 1961-62 levels. The total quantity of high-protein feed consumed by livestock has trended upward in recent years, reaching a record high of 228 pounds per protein-consuming animal unit in 1961-62, 3 percent higher than in 1960-61 and 16 percent above 5 years ago. The higher rate of feeding per animal unit in 1961-62 occurred despite 5 percent higher prices for high-protein feed.

Soybean meal prices were at a relatively high level this summer, influenced by a strong demand for both domestic use and export. Despite record production this year, soybean meal prices at Decatur rose about 23 percent from February to August.

The total hay supply for 1962-63 is a little smaller than in 1961-62, principally as a result of the smaller carryover on May 1. The 1962 hay crop is about equal to production in 1961. Both hay production and pasture conditions were much better this year than a year ago in the Northern Plains, but drought conditions reduced forage supplies in the Mid-Atlantic Region and in areas of the South and Southwest.

Oilseeds, Fats and Oils

The high temperatures and dry conditions during August tended to reduce previous estimates of the Nation's 1962 output of oilseeds. However, production will be more than adequate to ensure an abundant supply of vegetable oils. Soybean production, as of September 1, was estimated at 669 million bushels, about 3 percent below the record 1961 output. Cottonseed production is now placed at 6.1 million tons, about 2.5 percent above 1961. Peanut production, at 1.7 billion pounds, is 3 percent below the 1961 crop. Flaxseed production is estimated at 29.5 million bushels, 7.6 million above the 1961 crop.

Total supplies of edible fats, oils, and oilseeds during the 1962-63 marketing year (which began on October 1) are now placed at a record 16.3 billion pounds (oil equivalent), about 3 percent more than last year's peak. The increase is due to larger carryover stocks of soybeans and butter. Domestic disappearance of food fats probably will rise in 1962-63 about in line with the growth in population. These prospects indicate that the quantity available for export will be up somewhat from the 4.3 billion pounds exported in 1961-62.

Exports of food fats and oils in the 1962-63 crop year seem headed for new record levels. Soybean exports are expected to set another new record--about 15 percent above the 155 million bushels shipped abroad in 1961-62. Edible oil shipments also may reach new highs, perhaps as much as 15-20 percent above the 1961-62 estimated total of 1.8 billion pounds. Government programs continue to comprise a major portion of the total. Lard exports probably will approximate the 500 million pounds of last year. Thus it now appears that increasing exports will absorb most of the prospective increase in supplies of U. S. fats and oils.

Soybean prices to farmers this year probably will average around the national support rate of \$2.25 per bushel. The high rate of crush and brisk export trade will cut into the supply considerably, but substantial amounts of soybeans are expected to be placed under the price support program as farmers protect themselves against seasonally low bean prices.

Total flaxseed supplies for the 1962-63 marketing year (starting stocks on July 1 plus the 1962 crop) are estimated at 33 million bushels. Crushings for domestic oil requirements probably will be about the same as last year, around 19 million bushels. Another 2 million bushels will be needed for seed, leaving about 11 million available for export and/or carryover stocks on July 1, 1963. Prices to farmers for 1962-crop flaxseed probably will average at about the support level of \$2.90 per bushel, around 35 cents below the \$3.25 received for the small 1961 crop.

Fruit

Prices received by growers for most fresh market deciduous fruits in mid-September tended to average below year-earlier levels. But prices for lemons,

of which supplies were lighter, averaged above a year ago. Although supplies of California Valencia oranges also were lighter than a year ago, prices for some market classes averaged under the relatively high levels of a year earlier. But on the New York and Chicago auctions, prices averaged much above a year ago.

Prospective production of deciduous fruits declined somewhat during August because of dry weather in northeastern States. Total production in 1962 is now expected to be 2 percent below 1961 but 4 percent above average. Among fruits of which supplies continue heavy during October, production of pears and cranberries is larger than in 1961, that of grapes about the same as last year, and that of apples smaller. The dry summer weather in northeastern States also hastened maturity of fruit crops. In these States, harvest of fall and winter apples started 1 to 2 weeks earlier than last year.

Prospects for 1962 production of filberts, pecans, and walnuts also declined during August but remained unchanged for almonds. A heavier walnut crop, but lighter almond, filbert, and pecan crops are expected than in 1961. Total production of these tree nuts is indicated to be about two-thirds of the record 1961 tonnage.

In early September, Florida citrus groves were in excellent condition, pointing to another large crop. In California, moderate temperatures during August favored development of the new citrus crop. Prospects for the new crops were not as good as a year ago in Arizona and much poorer in Texas because of the 1962 freezes. Harvest of the 1962-63 Florida orange and grapefruit crops started with light picking in early September. Shipments of grapefruit to fresh markets mounted in late September. But volume movement of oranges to fresh markets is not expected before October. Meanwhile, stocks of frozen and canned orange juice continue heavier than last summer.

Commercial Vegetables for Fresh Market

Production estimates for fresh market vegetables, which normally account for four-fifths of the fall tonnage, indicate that supplies will be moderately smaller this fall than last. Indications point to more early fall snap beans, cauliflower, cucumbers, and green peas, and more late fall carrots than a year ago. But more than offsetting these increases are expected declines in production of early fall cabbage, carrots, celery, lettuce, spinach, and tomatoes, and less late fall celery. With smaller supplies available, prices to growers during early fall likely will average moderately above those of a year earlier.

For Commercial Processing

Supplies of both canned and frozen vegetables in the 1962-63 season are expected to be larger than during the previous season. Carryover stocks of both canned and frozen items at midyear were larger than a year earlier, and the canned pack is expected to be larger than in 1961-62. The frozen pack may be a little smaller than last season, but probably not enough to offset the larger carryover stocks.

Tonnage of vegetables for processing probably will be about a tenth larger than in 1961, mainly because of a record-large tomato crop. Output of green peas was moderately larger than last season. Production of beets promises to be a little larger, and tomato tonnage about a fourth larger than a year earlier. Partially offsetting is a substantial cut in production of winter and spring spinach, and smaller indicated output of green lima beans, snap beans, contract cabbage for kraut, and sweet corn.

Overall prices of most canned and frozen items during the 1962-63 season probably will average close to those of the previous season. But prices of most tomato items are likely to average lower.

Potatoes and Sweetpotatoes

Supplies of potatoes for fall and winter marketing will be heavy again this season, although moderately smaller than the burdensome supplies of a year earlier. Indicated production of the important fall crop on September 1 was 6 percent smaller than a year ago but 22 percent larger than the 1951-60 average. Output in both the 8 Eastern States, at 65 million hundredweight, and in the 9 Western States, at 82 million hundredweight, is moderately smaller than a year earlier. Indicated production in the 9 Central States, at 44 million hundredweight is substantially smaller than in 1961. Indicated acreage of potatoes for winter harvest, which provides only a small part of the tonnage for winter marketings, is slightly less than in 1961. Despite some cutback in production from a year earlier, supplies of potatoes for fall and winter marketings may be in excess of normal trade needs, and prices to growers are expected to be at relatively low levels.

Production of sweetpotatoes is expected to be moderately larger than in 1961, and prices to growers may average somewhat below last season. So far this season, movement to market has been heavier than in the 1961 season, and prices have averaged lower.

Cotton

The September crop report estimates the 1962 crop at 14.6 million running bales, about 300,000 larger than the 1961 crop. The larger crop estimated for 1962 is primarily a reflection of higher yields, as harvested acreage is expected to be up only 100,000 acres from 1961. The average 1962 yield is estimated at 449 pounds per harvested acre, up from the 1961 yield of 438 pounds but below the record-high yield of 466 pounds in 1958.

Higher yields are expected in each region of the Cotton Belt, with the exception of the Southwest. Compared with a year earlier, harvested acreage is expected to decline slightly in the Southwest, increase slightly in the Southeast and Delta, and remain unchanged in the West.

Spot market prices for cotton have declined steadily in recent months. The average spot market price for Middling 1-inch cotton in August was 33.36 cents per pounds, down from 33.98 cents in July and 34.09 cents in June. Prices

trended upward from a low of 30.14 cents per pound in January 1961 to a high of 34.09 cents in June 1962. In the 1961-62 crop year, spot prices for Middling 1-inch averaged 33.67 cents per pound, up 2.71 cents from the average of 30.96 cents per pound in 1960-61.

Imports of cotton textiles in the first 6 months of calendar 1962 were equivalent to 346,000 bales of cotton and exceeded cotton textile exports by 109,000 bales. In the first 6 months of 1961, imports were equivalent to 181,000 bales, 78,000 less than exports. In June, imports were 48,000 bales, down 6,000 bales from May but 20,000 bales above imports in June 1961. Exports in June were equivalent to 43,000 bales, up from 37,000 bales in May and 42,000 bales in June 1961.

U. S. exports of cotton during the 1962-63 marketing year are expected to total about 5.0 million bales, approximately the same as the 4.9 in 1961-62. Consumption in the foreign free world during 1962-63 is expected to be maintained near the high level of the previous year, while production may increase about a million bales. The export estimate assumes no major change in cotton stocks in the foreign free world. The decline in U. S. exports during 1961-62 from a year earlier was primarily associated with the reduction of about a million bales in stocks of cotton in the foreign free world. Stocks of cotton held by CCC (owned and held as collateral against outstanding price support loans) on August 1, 1962, were about 4.7 million bales. This is a sharp increase from a year earlier when CCC-held stocks were only 1.5 million bales, the smallest since 1952. CCC acquired through outstanding price support loans about 3.2 million bales or 22 percent of the 1961 crop.

Tobacco

Around 58 percent of the 1962 flue-cured crop had been marketed through September 21. The auction market price for all flue-cured sold through that date averaged 59.5 cents per pound compared with 63.9 cents a year earlier. Contributing to the reduced average thus far this season have been lower quality compared with last year, and a larger proportion of untied tobacco marketed this season than last. Untied tobacco (not tied in hands with a tie leaf) normally brings lower prices, and Government support levels for tobacco marketed in this form are 6 cents per pound less than for tied tobacco.

The overall support level for 1962 flue-cured is 56.1 cents per pound--1 percent above the level in each of the previous 3 seasons. Thus far, about 8 percent of market deliveries has been placed under Government loan. In the 1961 season as a whole, about 5 1/2 percent of the crop went under Government loan.

The 1962 flue-cured crop was estimated, as of September 1, at 1,339 million pounds--about 80 million more than last year's outturn and the largest crop in 6 years. Carryover on July 1, 1962, at 2,081 million pounds, was a little less than a year earlier. The 1962-63 total supply--carryover plus this year's crop--is 3,420 million pounds, 2 percent above the previous year, and exceeds any year since 1957-58.

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As of September 1, 1962, burley production was indicated to be 603 million pounds--nearly 4 percent more than last year and the largest crop since 1954. Stocks, as of October 1, 1962, are expected to be near 1,140 million pounds, up a little from a year earlier. The 1962-63 total supply of burley--carryover plus the new crop--will be about 1,743 million pounds, 2 percent more than in 1961-62.

Indications for the other kinds of tobacco are that the 1962 production of all except Maryland and dark air-cured will be below last year; the Maryland crop is indicated to be up moderately, while production of air-cured may be virtually the same as in 1961. Adding expected carryovers to indicated production, total 1962-63 supplies may be smaller than a year ago for fire-cured, dark air-cured, Connecticut Valley binder and cigar wrapper, but moderately larger for Maryland, and a little larger for continental cigar filler and Wisconsin binder.

Cigarette production during the first 7 months of 1962 was 1.8 percent ahead of output in the comparable months a year ago. This was a more gradual gain compared with that between the first 7 months of 1961 and the same months of 1960; the rate of increase then was nearly 4 percent. In January-July 1962, output of both smoking tobacco and snuff was moderately below that in the corresponding period of 1961, but chewing tobacco was up slightly. The shipments of cigars from U. S. and Puerto Rican factories during the first 7 months of 1962 gained about 2 percent over those in the same period of last year.

Exports of unmanufactured tobacco in January-July 1962 were 14 percent higher than a year earlier. There was a sizable increase in U. S. shipments under the barter phase of the P. L. 480 program. For calendar 1962 as a whole, total U. S. exports may be around 520 million pounds (declared weight)--up about 20 million from 1961 and the largest in 7 years.

The next issue of the Demand and Price Situation is scheduled for release November 13. The October issue will not appear because of proximity to the November Outlook Issue.